

MARKETING STRATEGY TELKOM INTERNET PROTOCOL TELEVISION (IPTV) TO INCREASE SUBSCRIBERS NUMBER FOR AREA OPERATION BANDUNG

Pradipta Wismaya Alby, Mustika Sufianti Purwanegara and Krisnati Desiana
School of Business and Management
Institute Teknologi Bandung, Indonesia
pradipta.w@sbm-itb.ac.id

Abstract — Business transformation transfigured from voice communication to multimedia (Voice, Data and Video) is not inevitable in the current telecommunications industry. Telkom develops IPTV (Internet Protocol Television) as an effort to revitalize the Fixed Wireline business in the middle of the changing landscape of the telecommunications industry. This IPTV service utilizes the existing network of fixed wire telephone network (Fixed Wireline). On this technology, one cable can be used for various data transmission services, including voice, data and video. Since the commercialization on the early 2012, sales performance has decline 37% on the first quarter and continue to decline in the next month. Referring to the business issue and challenges of the future telecommunications business competition, Telkom seeks to develop a New Wave Telkom Business through IPTV Service in an effort to make it as a new revenue generator replacing the Fixed Wireline business that has entered the stage of maturity. Business issue exploration aim to identify strengths, weaknesses, opportunities and challenges that occur in Telkom IPTV services in Bandung city, so that the root of the problem can be identified. The steps taken in the process are collecting secondary data analysis, analyzing business issue exploratory, market research to potential customers, proposing marketing strategy communication and implementation of IPTV services by Telkom. Based on the analysis from root of the problem, Telkom IPTV service marketing activities which are conducted is considered incomprehensive and is not on target, therefore it is necessary to design a marketing strategy that can answer the root of the problems which are occurred. Proposed business solution includes the application of the Marketing Mix which emphasizes on Integrated Marketing Communication. With the implementation of business solutions, such as increasing awareness to target market, marketing communication emphasize on service differentiation, Utilization of Existing Customer Base and Sales Bundling Concept can solve existing business problems.

Keywords: IPTV, Market Penetration, Integrated Marketing Communication.

I. INTRODUCTION

Fixed Wireline Technology (Fixed Phone) has entered the maturity level and replaced by the

emerging broadband technologies. Level changes are also affecting the company's business revenue. The operator's income from Voice business further decreased. Effort that must be made by the operator is to hold the rate of revenue decline and replace it from another business's revenue.

Trends in business innovation solutions in the field of telecommunications which is closely associated with the change of voice communication to multimedia communications via the internet is a trend that is growing rapidly. Impact caused by the presence of the internet is that the internet protocol technology which is being used is very universal and open nature without limitation, that advantages are potential sources of revenue for operators who have and want to invest its technology to generate more revenue.

IPTV is the result of the development of information technology which is changing the nature of television in the past. One significant change occurred is in how the audience interacts. In the past, the era of analog TV and digital TV, viewers can only watch the show according to the schedule given by TV station. By contrast, in the era of IPTV, TV stations are adjusting the shows with the audience's request through a real time two-way interactions.

Referring to the challenges of the future telecommunications business competition, Telkom seeks to develop New Wave Telkom Business through IPTV Service in an effort to make it as a new revenue generator to replace the Fixed Phone business that has entered the stage of maturity. Based on these conditions, therefore the basic idea of this research is how to design appropriate marketing strategies for IPTV Service in Telkom Bandung Region in order to penetrate the market and ultimately impact on legacy business income and provide more value to customers

A. Company History

PT Telekomunikasi Indonesia, Tbk. (Telkom) is the largest telecommunications service provider in Indonesia. In order to maintain and sustain the growth in a competitive industry environment, Telkom transformed from InfoComm company to TIME (Telecommunications, Information, Media,

Edutainment) company in the year 2009 to maintain the legacy business and develop new business wave.

In line with the New Wave Grow strategy, Telkom invested in broadband technology. These technologies have large bandwidth to send information, and because of its availability then the usefulness bandwidth can be varied, ranging from browsing web pages to interactive applications such as On demand Service. Telkom exploit the capabilities of broadband technology by offering Internet Protocol Television (Known by "Groovia TV"). These services are packaged with the concept of triple play services that include voice services, Multimedia and Broadband access.

B. Scope of Business

For Telkom, IPTV is the first step in the deployment of multimedia applications with high interactivity on a true broadband network. IPTV offers the following:

- 1) The more interactive, easy, convenient, and complete digital experience to the customer of Telkom Group.
- 2) Opportunities, especially for digital creative communities that are growing in Indonesia, to find a vast new land in the commercialization of products and their creative work.
- 3) Opportunities for business cooperation and media informatics industry to provide a more complete service for customers of Telkom Group.
- 4) A new context in the development of network capacity and quality, whether it is core network, cable network, to mobile network.

C. Business Issue

There are two major challenges in the efforts to develop marketing strategies in order to penetrate the market for IPTV service:

- 1) Designing an integrated and specific marketing strategy in order to penetrate Telkom IPTV's services for market penetration and ultimately impact on improving legacy business revenue and provide more value to customers.
- 2) The readiness in infrastructure and program content is not enough, "high tech" product or services confronted with how much consumers are able to adopt and consumer preferences for new technologies.

Therefore, the readiness and consumer preferences for technology is an important information, because the company can find out which are the potential customers to be marketed in the early stages of this high-tech products.

Business issues which will be raised in this study is how to design the right marketing strategy for Telkom IPTV services (Groovia TV) in order to penetrate the market so that it is expected to act as a new revenue generator for Telkom in which the growing number of customers or Line in Service (LIS) will contribute on improving the company's revenue.

II. BUSINESS ISSUE EXPLORATION

A. Conceptual Framework

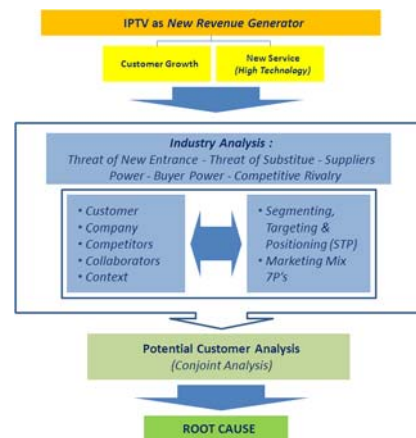


Figure 1. Conceptual Framework

This research is compiled by analyzing the situational factors, these factors consists of external and internal of Telkom which affect on marketing strategies that are performed. Further, the marketing strategy analysis is conducted, in the form of segmentation and analysis of the right target market, and positioning of Groovia TV service accurately. Based on those analyses, and then will be proposed an alternative strategy which can be implemented. Strategies which are implemented will greatly affect the company's goals. Stages of the analysis in this research are as follows:

- 1) The analysis of external and internal condition of the company.
- 2) Analysis of Segmentation, Targeting & Positioning (STP)
- 3) Analysis of Marketing Mix
- 4) Analysis of existing customers through questionnaires survey to customers and Interview with the Management of Telkom Bandung area.
- 5) Analysis of the results of the survey and interviews that have been conducted.
- 6) Formulate the proposed marketing strategy.

B. Method of Data Collection and Analysis

After developing conceptual framework, we need to analyze every factor contained in the framework. These details will assist readers to conceive business situation of the company/industry.

Industry Analysis

Barriers of New Entry : High

The need for investment and the selection of technology platform requires a large investment.

Elements that must be fulfilled by the IPTV operator is licensing of Content, Broadband Network dan Services.

Buyers Power : Low

• Telkom has a strong economic of scale dan economic of scope ability because it plays as

dominant player in Indonesia telco which will be hard to compete by the competitors

- There has not been other operator who is specifically providing IPTV services other than Telkom.

Threats of substitute : High

- A high rate of movies and music piracy.
- A wide range of alternative product / service replacement.

Supplier Power : Moderate

- There is no local supplier to supply the IPTV Customer Premises Equipment (CPE), so that Telkom depends on the ZTE in the provision of devices.

Competitive Rivalry : Moderate

- Increasing number of PayTV operators with a competitive subscriptions price.
- The license for the broadcasting rights is one of the competitive advantage within Pay TV operators.

Customer Analysis

Bandung is the capital city of West Java Province and it is

the third biggest city after Jakarta and Surabaya. Bandung's heterogeneous society signifies many different lifestyle and behavior as well as different patterns of technology adoption. In implementing IPTV services not only we see the readiness of the provider itself, but also user's readiness to adopt IPTV is important to be known by the provider. Infrastructure and program content readiness is not enough, the high-tech products are faced with how further the consumers are able to adopt new technologies. Therefore, the readiness of consumers to the technology is important information, because companies can find out which is most potential future customers to be marketed in the early stages of this high-tech products.

Company Skill Analysis

Telkom has launched the Telkom Super Highway project,

which consists of the development of MSAN (Multi Service Access Network) access networks, GPON (Gigabit-capable Passive Optical Networks) and softswitch that will form the Next Generation Nationwide Broadband Network (NG-NBN), so it is possible to provide TIME service with high quality and competitive price. For Telkom as the largest Infocomm service provider in Indonesia, this project further affirmed its plan to create cooperation with world-class in the development of next generation services which is supported by integration platform of fixed telephone (fixed-line) , broadband Internet, TV and mobile service-delivery.

Competitor Analysis

There are 7 official Broadcast payTV operators (including

Telkom Vision). Differentiation of services offered by Pay TV operators are divided by the number of channels and prices according to the target segment, where the price is divided into three segments, namely Premium (Indovision, Telkom Vison, Fasindo,

Megavision,), Medium (Yes TV and Aora) and the Low End (Oke TV, TOP TV). Looking at the existing pay-TV industry in Indonesia, there is no difference between service offering an operator to another where the differentiation is only on channel content, competitive price and broadcast rights on-exclusive program which become the competitive advantage by Pay TV operators. Groovia TV comes with a differentiation of service offering and interactive features which are expected to become a competitive advantage for Telkom in the national pay-TV industry.

Collaborator Analysis

In the implementation of IPTV development, Telkom collaborate with its subsidiary, PT Indonusa Telemedia (Telkomvision) as a licensee of the providence of data services based on data package and PCCW International Limited of Hong Kong. Through Telkomvision, IPTV services deliver high quality local and international content to various audiences in Indonesia. PCCW gained trust as Telkom partners and Indonusa works on IPTV project in Indonesia which covers business aspect, technology and the implementation. PCCW's experiences are utilized when planning the development of quadruple-play capability of Telkom so that attractive media content and interactive services can be provided via fixed line, broadband internet, TV and Mobile.

Context Analysis

Economic environment : TV technology advances that accompanied by the decline in the price of the tools which becomes more affordable encourage people to switch from a standard TV to screen flat panel TV. Along with the increasing number of users, television service with the incorporation of modern technology into the development is inevitably become the new standard in the television industry

Society's trends : Television era began with the presence of analog TV and then digital TV. In the past, the era of analog TV and digital TV, viewers can only watch the show according to the schedule given by TV station. By contrast, in the era of IPTV, TV stations is adjusting the programs based on the wishes of the audience through a two-way interactions in real time. Looking at technology trends which is leading to the digital and the proliferation of smart phones and PC table show that the urban population in Indonesia are ready for the digital era, where everyone will be connected with the internet.

Segmenting Targeting & Positioning (STP) Analysis

1) Defined segmentation groups comprehensively defined by geographic, demographic, psychographic and behavioral / behavior.

2) Target customers for IPTV services are recommended in the stage of Entry to Market is the premium segment, early adopters, entertainment & sport minded and also the priority target of the initial stages is the customer who is already a customer of a telephone (Fixed wireline) and or Speedy internet customers.

3) Positioning has shown differentiation through features offered. However, it needs to be supported by comprehensive promotional activities which emphasize on elements feature which become the excellence of this IPTV Telkom to the target market.

Marketing Mix (7P's) Analysis

1) Product: Conditions of the fixed line network (Fixed Line) can be served by the IPTV is copper access network with a minimum capacity for Standard Definition Quality (SD) 1-9 Mbps (6 Mbps IPTV; Speedy 1-3 Mbps) and High Definition (HD) 9-11 Mbps (IPTV 8 Mbps; Speedy 1-3 Mbps) and the maximum distance of service is less than 1.2 KM between positions of Sentra Automatic Telephone (STO) Telkom to the customer's home, this resulted in a limited service coverage.

2) Price: The current price structure is quite complex because it refers to a speedy internet service tariff structure, consisting of five options ranging from speedy package with speeds from 384 Kbps to 3 Mbps speed. Each packet's charging tariff rates will differentiate IPTV services to customers, so it needed a comprehensive marketing communication techniques to design a communication language that is clear to the target customers.

3) Place: Distribution channel for sales and after sales service is quite comprehensive with the aim of providing ease of the customers. Customers are given a choice of service alternatives such as coming directly to the Plaza (Walk In), Calling to the call center 147 (Phone In) or on line at the site official web (Web In).

4) Promotion: Promotion activities are fokused on mass communication. The determination of media promo which are conducted still do not meet the target market segment. In addition, there are no educational programs / Product knowledge is routinely carried out to the target market and the free trial program in which customers are given the opportunity to try the service for free was not yet done.

5) People: Telkom made a fundamental change in human resource management by changing the concept of human resource into human capital. Telkom has done the Competence Based Human Resource Management as the performance measurement system, human resource development, competitive remuneration, development of culture and business ethics, health facilities and safety for employees throughout the level.

6) Process: The whole process of the moment of truth starts from sales activity up to after sales covering the entire value chain that is already optimally supported by all the resources related to Telkom's IPTV service, the system si done through an integrated and reliable information system applications.

7) Physical Evidence: Infrastructure readiness to organize a service for Telkom IPTV is constrained with the limited coverage. Although the service is delivered using the same channel with telephone and speedy internet, but not all access network phones are able to be served by Telkom IPTV. The Ready IPTV network capacity for Bandung area is still 21% of the total number of Line In Service of Telkom telephone service.

Potential Customer Analysis

This research uses a survey questionnaire to determine Consumer preferences for Telkom IPTV services. Determination of a population refers to the number of subscribers of Telkom Fixed wireline. The amount of line capacity in the area of Telkom Bandung (April 2012) is 420,000 where the number of Line in Service are 320.000, referring to the tables of sample determination (Sugiyono, 2012) with an error rate (error) of 5%, the number of samples used are as many as 348 samples. Cluster sampling technique is used because the population is scattered in various regions so that the sampling method based on the cluster is considered the most accurate to do.

Conjoint analysis method used to measure consumer preferences level to a product or service. Conjoint analysis is a multivariate technique used to understand how to develop a preference for a product or service. It is based on consumers' rate to the product/ service/ idea by combining the value of each attribute separately. Utility as a measure of value in conjoint analysis is a subjective judgment of each individual's unique preferences. Conjoint analysis aims to establish a set of products or services by combining the level of each attribute (Ghozali, 2011:377).

Table 1. Attirbut & Level

Faktor	Level Atribut
Media Acsess	Televisi (TV)
	Personal Computer (PC)
	Mobile Device/ Gadget
Subscription Offer	Full Channel
	Program Pilihan (Ala Carte)
	Pay Per View
Picture Quality	Basic Standar Definition (SD)
	Premium High Definition (HD)
Features	Interaktif
	Non Interaktif

It can be seen that the number of attributes that will be offered to consumers are four attributes, so that the methodology used is the traditional conjoint, because the number of attributes less than 10. The first and second attributes consist of three levels, the third and fourth attributes consist of two levels, so the combination of attribute levels or stimuli that are owned are 36 ($3 \times 3 \times 2 \times 2 = 36$) in total.

Conjoint analysis which will be conducted in this research are estimated using SPSS program application assistance. In summary the results of the

analysis presented by SPSS output estimation are as follows:

SUBFILE SUMMARY			
Averaged Importance	Utility	Factor	
31,24	-7,0000 ,1467 6,8333	MEDIA --- ---	Media TV PC Gadget
21,93	-3,9999 -2,0000 5,9999	PAKET -- - ---	Paket Berlangganan Full Channel Program Pilihan Pay Per View
18,57	4,3333 -4,3333	KUALITAS -- ---	Kualitas Gambar SD HD
27,35	-6,0666 6,0666	FITUR --- ---	Fitur Interaktif Non-Interaktif
	18,5000	CONSTANT	
Pearson's R = ,956		Significance = ,0000	
Kendall's tau = ,954		Significance = ,0000	
SUBFILE SUMMARY			
No reversals occurred in this split file group.			

Figure 2. Subfile Summary Conjoint Analysis

Constant rate of 18.5 in the above result is the average rating for stimuli obtained from the calculations: $(1 + 2 + 3 + 4 + \dots + 35 + 36) / 36 = 18.5$. This constant rate is used as the basic for calculating the utility value of the factors Media, Subscription Package, Image Quality, and Features. So the utility is the difference between the average of certain factors with its constant value. If the difference is negative, then the respondents preferred the product stimuli. Conversely, if the difference is positive, respondents are less preferred with the product stimuli, this is because the assessment of the respondents in the questionnaire is using the rank system where the order of 1 are very preferred and the order of 36 is less preferred. If the reverse sequence of numbers, where order

1 is disliked and the order of 36 is very likeable, then the interpretation of a negative sign and positive sign will change otherwise. Thus, it can be concluded for a combination of stimuli based on data that has been processed, the customer- preference- towards pay TV service for media access using the TV with full package of channels and high-resolution display quality (High Definition) as well as the availability of interactive features. So it can be said for pay TV services, the market already receives and are interested in subscribing Telkom IPTV refers to the preference option of interactive features which features Time Shift TV, On Demand Service features and the features of Personal Video Recording which becomes the flagship features of Telkom IPTV service. In line with this, it is necessary to design a comprehensive and integrated marketing strategy so that the Telkom IPTV service can be accepted by Bandung's society in order to penetrate the market.

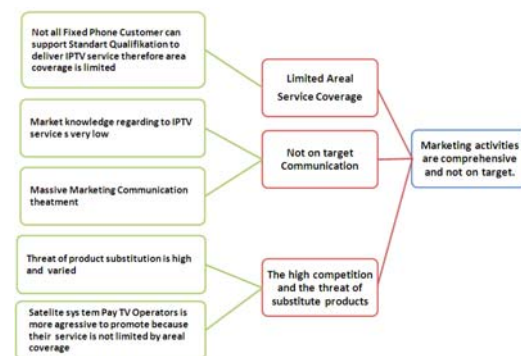
C. Analysis of Business Situation

Referring to the results of the research and analysis that has been done, where more than 70% responden did not know about Telkom IPTV (Groovia TV). We

conclude that Telkom IPTV service marketing activities undertaken by Telkom Bandung in order to penetrate markets where the growth in the number of customers / LIS (Line in Service) will contribute to the increase in corporate revenue, is not on target and not maximized, thus necessary to design a marketing strategy for to answer the roots of the problems occurred.

III. BUSINESS SOLUTION

Marketing activities that are not on target have been considered as a major problem. Therefore the next step is to design a comprehensive marketing strategy for Telkom IPTV service so that it can be received by the market where a growing number of customers / LIS (Line in Service) will contribute to the increase in company revenue.



A. Alternative of Busines Solutios

Here are the alternative strategy designed to address the problems occurred:

- 1) Increased awareness of Telkom IPTV services to their target market, through its Education Program / Product Knowledge integrated directly to target market
- 2) Emphasize on the differentiation of marketing communications services that are owned by Telkom IPTV, through the selection of communication media in accordance with the target market where the marketing communications emphasized on the differentiation of services.
- 3) Utilization of Existing Customer Base (Speedy and Fixed Phone) as a target market where IPTV is held as the exclusive program to increase the engagement level of customers through the Free Trial Program of Telkom IPTV services to customers with certain criteria in order to bring up the Customer Experience using Telkom's IPTV service.
- 4) Market penetration with the concept of bundling triple play strategy which combines Voice (Phone), Data (Intenet) & Video (TV) through its bundling triple play sales program (Telephony service, Fixed Broadband Internet and Pay TV) with strategic partners.

B. Analysis of Business Solution

In order to increase service awareness required strategies that could achieve the communication objectives. Referring to the Cognitive Strategy, is to create awareness from the products and opportunities to use or buy, educate on the usefulness of the product, create an understanding of the IPTV service as well as explain how IPTV service products will meet customer needs. Strategies that can be done for the purpose of communication include:

- 1) Benefit Selling Strategy, can be a logical and emotional attractiveness as part of the experience of using the service as one of communication.
- 2) Feature Selling Strategy, emphasizes on in-depth explanation of the superior features that are exist as well as ease of use of such features. Consumers are introduced to a variety of excellent features of Telkom IPTV services to be used in everyday life, with a hope that the consumers will be driven by changes in television viewing behavior because of the technological developments
- 3) Pre-emptive Strategy, Telkom IPTV services focused on the attributes and benefits that are not offered by competitors. Differentiation of services that are owned by Telkom IPTV in providing services is the presence of Bundling Triple Play (Telephone, Broadband Internet and Pay TV). A further benefit could be offered to the target market as "One Stop Service" for the Home Digital service.
- 4) Informational Strategy, done by giving services information ranging from product, pricing, distribution channels (Place), Promo Program, Process (Registration, Installation & Billing) and supporting devices (Physical Evidence).
- 5) Credibility Strategy, consumers are assured of the services through the publication activity by related experts or figures related to the results and benefits of service use. It aims to establish a trust through the mass media so that Telkom IPTV service can be trusted and used conveniently by the Bandung's society.

IV. CONCLUSION

Here are the conclusions of this research:

- 1) Security.
Piracy problem is a serious issue for Indonesia and most other Asian countries. One of the keys to successful pay-TV operator is the ability to work with content premium, when the operator is able to get the broadcasting rights for premium content then it will be a competitive advantage compare to its competitors. However, the important point is, the premium content providers want assurances (Security Assurance) for the security of content from the threat of piracy to the broadcast rights recipient.
- 2) Step by Step Approach

In Indonesia, the concept of IPTV services is still in the stage of introduction. Generally, consumers in Indonesia are still learning what and how the TV services run. Seeing this condition, the gradual approach through Trial program of Triple Play service is the right step for Telkom IPTV to be accepted by Bandung's society.

3) Service Quality

IPTV is sensitive to packet loss and delays if the streaming data is not reliable because IPTV has strict requirements related to minimum speed to facilitate a number of image frames per second as moving images. It means that the quality of IPTV services to customers will decrease if the connection or bandwidth available are limited.

4) Understanding Customer Needs

In depth research is needed to understand customers' needs related to the pay TV service. Consumer research will help the operator to understand the important information such as the composition of market segments and what content is popular, the definition of premium content from the consumer point of view that allows operators to focus better on providing content according to customer's needs for Telkom IPTV service.

5) Understanding Market Situation

The readiness of the infrastructure and program content are not enough, high-tech products are faced with how much consumers are able to adopt new technology. Therefore, consumer preferences to the technology is an important information, because companies can find out which is the potential customer to be marketed on early stages of this high-tech products.

ACKNOWLEDGMENT

This paper is written based on the author's final project at MBA ITB supervised by Dr.Ir.Mustika Sufianti Purwanegara,M.Sc and Dra.Krisnati Desiana,M.Com who has been relentlessly motivating the author to accomplish the final project. The author would like to thank you Telkom Indonesia area operation Bandung, where the final project has taken place.

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